

Message Text

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PAGE 01 STATE 138173

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EXDIS FOR ASSIST SEC ENDERS

FOLLOWING REPEAT CAIRO 5813 ACTION SECSTATE DTD 12 JUN

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CONFIDENTIAL CAIRO 5813

EXDIS

E.O. 11652: GDS

TAGS: EAID EGEN EGY

SUBJECT: EMERGENCY AID FOR EGYPT

REF: STATE 134117

1. RE PARA 4 REFTEL, THE PROPOSED TERMS MENTIONED
THEREIN FOR THE JUNE AID AND NEXT TWO CY 1975 LOANS
WOULD, IN MY JUDGMENT, ADVERSELY IMPACT ON OUR POLITICAL
OBJECTIVES IN EGYPT. I RECOGNIZE POINT ABOUT SOME
REASONABLE COMPATABILITY BETWEEN OUR EMERGENCY ASSISTANCE
AND THAT OF OTHER DONORS, BUT COMPARISON HERE WILL NOT
BE WITH IRANIAN AND SAUDI TERMS BUT WITH TERMS WE GRANT
ISRAEL. ADDITIONALLY, IT WILL AT ONCE BE NOTED THAT
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PAGE 02 STATE 138173

THE PROPOSED TERMS ARE LESS FAVORABLE THAN THOSE

OF OUR FIRST CIP LOAN. SINCE ANY CIP LOAN AGREEMENT HAS TO BE RATIFIED, WHICH INCLUDES PEOPLES ASSEMBLY SCRUTINY AND APPROVAL, THE DISPARITY OF TERMS BETWEEN THE TWO LOANS IS CERTAIN TO BECOME WIDELY KNOWN AND EVOKE BITTER CRITICISM. WE WILL BE CHARGED WITH CLAIMING TO PROVIDE DMERGENCY ASSISTANCE TO EGYPT, YET TAKING ADVANTAGE OF EGYPT BY HARDENING THE TERMS. THE COMPARISON WITH GRANT AID TO ISRAEL WILL QUICKLY BE MADE.

2. IN MY JUDGMENT, TERMS SHOULD BE SAME AS THOSE FOR FIRST CIP LOAN, I.E. 40 YEARS REPAYMENT, 10 YEARS GRACE WITH 2 PERCENT INTEREST DURING GRACE PERIOD AND 3 1/2 PERCENT INTEREST THEREAFTER. APART FROM POLITICAL DESIRABILITY OF SUCH UNIFORMITY OF TERMS, IT WILL ALSO MAKE ADMINISTRATION/BOOKKEEPING OF THE VARIOUS LOANS A GREAT DEAL EASIER.

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